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HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

(Warrant Code: 1248)

DISCLOSEABLE TRANSACTION

PROPOSED ACQUISITION OF RICHFUL ZONE INTERNATIONAL LIMITED

On 8 June 2012 (after trading hours), Profit Garden, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell or procure the sale of the Sale Shares, representing the entire issued share capital of Richful Zone, together with the Sale Loan for a cash consideration of HK\$50,000,000.

Given the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules exceed 5% but remain below 25%, the Acquisition constitutes a discloseable transaction for the Company pursuant to Rule 14.06 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

THE AGREEMENT

Date 8 June 2012

Parties

Vendor: Regent Square

Purchaser: Profit Garden

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company.

* *For identification purposes only*

The Vendor is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Forefront.

As at the date of this announcement, the Company holds less than 5% of the shareholding interest in Forefront, which is under the required disclosure threshold of the SFO. Mr. Chung Yuk Lun is an independent non-executive director of Forefront and the Company.

Saved as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are independent third party not connected with the Company and its connected persons (as defined under the Listing Rules).

Assets to be acquired

Subject to and in accordance with the terms and conditions of the Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell or procure the sale of the Sale Shares, representing the entire issued share capital of Richful Zone, together with the Sale Loan.

Consideration

The Consideration payable by the Purchaser for the Acquisition pursuant to the Agreement shall be of HK\$50.0 million in cash upon Completion. The consideration shall be funded by internal resources of the Group.

The Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to the unaudited net asset value of Richful Zone Group of approximately HK\$67.5 million as set out in the unaudited consolidated management accounts of Richful Zone Group as at 31 December 2011 and the valuation of the Forest Land in an amount of HK\$135.0 million as at 31 December 2011 appraised by an independent professional valuer appointed by the Forefront (the value attributable to the 50% of the Concession Rights and Interests held by Richful Zone Group is therefore HK\$67.5 million).

The Consideration represents a discount of approximately 25.9% to the unaudited net asset value of Richful Zone Group being HK\$67.5 as recorded in the unaudited consolidated balance sheet of Richful Zone Group as at 31 December 2011. Accordingly, the Directors consider the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions

Completion is subject to the following conditions precedent:

- (i) a due diligence investigation on the Richful Zone Group and its assets having been completed to the reasonable satisfaction of the Purchaser in its sole discretion as well as the receipt by the Purchaser of legal opinion(s) to be issued by a firm of PRC lawyers on matters including but not limited to title of the Forest Land and ownership of the Concession Rights and Interests;
- (ii) the approval of the Agreement and transactions contemplated thereunder by the Shareholders who are permitted to vote in accordance with the Listing Rules, if required;
- (iii) the approval of the Agreement and transactions contemplated thereunder by the shareholders of Forefront who are permitted to vote in accordance with the Listing Rules, if required;
- (iv) if applicable, the obtaining of all consents by Regent Square from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Agreement and any of the transactions contemplated hereunder; and
- (v) there having been no breach by Regent Square of any obligation, undertakings, representations and warranties under the Agreement;

If the conditions above have not been fulfilled (or waived by the Purchaser) on or before 3 September 2012 (or such other date as the parties may agree in writing), the Agreement shall thereupon terminate, the parties shall have no further claims against each other under the Agreement for costs, damages compensation or otherwise, save in respect of antecedent breaches and claims. Pursuant to the Agreement, the Purchaser may waive the above conditions (i) and (v) in writing.

Completion

Completion shall take place on a date which is within 2 Business Days after the fulfillment of the conditions under the Agreement or such other date as both parties may agree.

INFORMATION ON THE GROUP

As at the date of this announcement, the Company is an investment holding company and its subsidiaries are principally engaged in property related investments, investment in securities, investment in advertising and lottery related business, money-lending business and Chinese medicine clinic operation.

INFORMATION ON RICHFUL ZONE GROUP

Richful Zone is a company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of Forefront. Richful Zone is also the legal and beneficial owner of the entire issued share capital of Allied Loyal. Besides the interest in Allied Loyal, Richful Zone has no other major assets or business.

Allied Loyal, a direct wholly-owned subsidiary of Richful Zone, is an investment holding company incorporated in the British Virgin Islands whose principal asset is the 50% interest in the Concession Rights and Interests. The Forest Land comprises three parcels of forestry sites in Simao District (思茅區), Puer City (普洱市), Yunnan Province (雲南省), the PRC with total site area of approximately 36,737 Chinese Mu. The Forest Land is currently managed by AKFCL.

Based on the Valuation Report, the market value of the Forest Land, is approximately HK\$135.0 million as at 31 December 2011 being the valuation date, to which Profit Garden will own 50% of the Concession Rights and Interests upon Completion.

Based on the Valuation Report, the majority of tree population was pine trees, having stand age between 20 to 30 years old, diameter at breast height between 14 to 20 centimetres and merchantable height between 10 to 17 metres, and oak specie, having stand age between 17 to 50 years old, diameter at breast height between 14 to 24 centimetres and merchantable height of between 11 to 15 metres. Most of the timber volume was from mid-age trees. The Forest Land is currently planted with pine and oak trees and such pine and oak trees will be processed into furniture and various construction materials.

Financial information of Richful Zone Group

Based on the unaudited consolidated management accounts of Richful Zone Group, the consolidated financial information of Richful Zone Group for the two years ended 31 December 2011 are as follows:

	For the year ended	
	31 December	
	2011	2010
	unaudited	unaudited
	HK\$'000	HK\$'000
Loss before taxation and extraordinary items	1,423	1,242
Loss after taxation and extraordinary items	1,423	1,242
Net assets	67,539	68,962

Upon Completion, Richful Zone and Allied Loyal will become indirect wholly-owned subsidiaries of the Company. The results and assets and liabilities of both companies will be consolidated in the accounts of the Group.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Directors believe that the Acquisition provides the Company with a good opportunity to participate in forest harvesting and timber processing. The Directors also consider that the investment in Richful Zone Group will allow the Company to diversify from its existing business. The Directors believe that macro business environment for natural forestry and timber products was generally positive especially for China, the largest timber consumption country in the world. Urbanization of population in China will continue to drive demand for timber and other consumer products in long term. Further, the Consideration represents a discount of approximately 25.9% to the unaudited net asset value of Richful Zone Group being HK\$67.5 as recorded in the unaudited consolidated balance sheet of Richful Zone Group as at 31 December 2011. Accordingly, the Directors consider the Acquisition as a potentially attractive investment opportunity.

As the Directors have no expertise or previous experience in the investment of forestry business, the Shareholders, warrant holders of the Company, the potential investors and the public are reminded to exercise caution when dealing in the Shares and warrants of the Company. The Directors consider that it would be beneficial to the Group to cooperate with AKFCL. AKFCL is experienced in the operation and management of forestry business through its experienced management team. The Company can leverage on AKFCL's expertise on forestry industry and AKFCL would be responsible for the operation and management of the Forest Land. Although the Company has never invested in forestry business, the Directors consider that the forestry industry is rapidly developing and investment in Richful Zone Group is fair and reasonable since AKFCL has a management team which is experienced in the operation and management of forestry industry.

The Forest Land is situated in Yunnan where the climate and soil are suitable for the planting of pine trees and oak trees. The Forest Land has started logging in 2008. Although the current scale of logging is still small, given that pine trees can be logged at different growing stage for different purposes, it is anticipated that the logging scale will gradually increase and it is expected that the Forest Land will generate profit in long term. Taking into account the steady and growing demand for pine trees and oak trees due to the growing economy in the PRC, which can be processed into furniture and various construction materials, the Directors believe that Acquisition will provide good investment prospects and return to the Company in the long term, and thereby broaden the Company's earning base in the long run.

LISTING RULES IMPLICATIONS

Given the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules exceed 5% but remain below 25%, the Acquisition constitutes a discloseable transaction for the Company pursuant to Rule 14.06 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

As Completion is subject to the fulfillment of a number of conditions, the transactions contemplated under the Agreement may or may not proceed. The Shareholders, warrant holders of the Company, the potential investors and the public should exercise caution when dealing in the Shares and warrants of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	the proposed acquisition by the Purchaser of the Sale Shares, representing the entire issued share capital of Richful Zone, together with the Sale Loan
“Agreement”	the conditional agreement dated 8 June 2012 entered into among the Vendor and the Purchaser in relation to the Acquisition
“Allied Loyal”	Allied Loyal International Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Richful Zone
“AKFCL”	Amerinvest Kesiya Forestry (Yunnan) Company Limited, a company incorporated in the PRC with limited liability
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday and Sunday) on which banks are generally open for business more than five hours in Hong Kong
“Company”	Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement

“Concession Rights and Interests”	the economic gains including future capital gains and future profit accrued in respect of the Forest Land
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	the consideration to be payable by the Purchaser pursuant to the Acquisition, being HK\$50.0 million in cash upon Completion
“Director(s)”	the director(s) of the Company
“Forefront”	Forefront Group Limited (Stock Code: 885), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Forest Land”	three parcels of forest land located in (i) Forest No. 92, Nan Xian He Ying Pan Mountain, Liu Shun Village, Simao District, Puer City, Yunnan Province (雲南省普洱市思茅區六順鄉南線河營盤山) with a site area of approximately 10,382 Chinese Mu; (ii) Forest No. 104, Gan Niu Zhai Mountain, Yi Xiang Town, Simao District, Puer City Yunnan Province (雲南省普洱市思茅區倚象鎮趕牛寨大山) with a site area of approximately 20,485 Chinese Mu; and (iii) Forest No. 101, Ji Zhai Mountain, Boluo Mu, Yi Xiang Town, Simao District, Puer City, Yunnan Province (雲南省普洱市思茅區倚象鎮菠蘿木極寨山) with a site area of approximately 5,870 Chinese Mu
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“People’s Government”	The People’s Government of Simao District, Puer City, Yunnan Province (雲南省普洱市思茅區人民政府)
“PRC”	the People’s Republic of China

“Profit Garden” and “Purchaser”	Profit Garden Global Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Regent Square” and “Vendor”	Regent Square Limited, a company incorporated in the British Virgin Islands with limited liability and which is an indirect wholly-owned subsidiary of Forefront
“Richful Zone”	Richful Zone International Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Forefront. It is also the sole legal and beneficial owner of Allied Loyal
“Richful Zone Group”	Richful Zone and Allied Loyal
“Sale Shares”	17,478,973 ordinary shares of US\$1.00 each in Richful Zone, representing the entire issued share capital of Richful Zone at the date of this announcement
“Sale Loan”	an interest free and payable on demand shareholder’s loan due from Richful Zone Group to Forefront, which amounts to HK\$15,288 as at 31 December 2011
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Report”	a valuation report dated 2 March 2012 provided by the Vendor and appraised by an independent professional valuer who is not connected with any of the directors, chief executive and substantial shareholders of the Company and its subsidiaries and associates

“%”

per cent

By Order of the Board of
Heritage International Holdings Limited
Dr. Kwong Kai Sing, Benny
Chairman

Hong Kong, 8 June 2012

As at the date of this announcement, the Board comprises the following members:

Executive Directors

Dr. Kwong Kai Sing, Benny (*Chairman*)

Mr. Ong Peter

Ms. Poon Chi Wan

Mr. Chow Chi Wah, Vincent

Independent Non-executive Directors

Mr. To Shing Chuen

Mr. Ha Kee Choy, Eugene

Mr. Chung Yuk Lun

Mr. Lo Wong Fung